

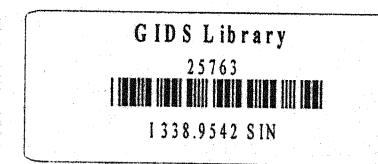
**PROBLEMS IN THE IMPLEMENTATION OF  
ECONOMIC REFORMS AT THE STATE LEVEL :  
A case study of Uttar Pradesh**

(294)

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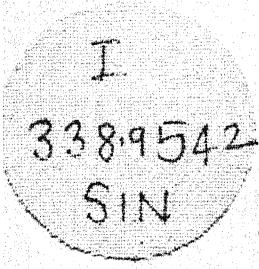
**Giri Institute of Development Studies  
Lucknow.**

**February 1994**



**National Council of Applied Economic Research  
New Delhi**

**in Collaboration with**



**GIRI INSTITUTE OF DEVELOPMENT STUDIES  
LUCKNOW.**

## PREFACE

The present study looks at the problems in the Implementation of Economic Reforms at the State Level facilitating flow of industrial investments in the States. It has been conducted on behalf of the National Council of Applied Economic Research. The goal of the project is to look at the interface of the new industries/existing units with the state level regulatory bodies (for industries as well as with utilities). The objectives of the study are as under:

1. the number and the sequence of clearances required for starting a new industrial unit;
2. the number of forms that are required to be filled;
3. the various departments and levels that have to be approached for permissions;
4. the reality of 'single window' clearances;
5. the reality of 'escort' services;
6. the help offered by other agencies their effectiveness and knowledge among entrepreneurs about their existence;
7. the level and regulatory framework behind the system and procedures, as they are;
8. the background and procedures for environment clearances;
9. the total time taken for approvals;
10. the various incentives offered by the State Government for attracting industrial investments and the time taken for their disbursements.

The study is based on a detailed study of proformae and procedure applicable in various regulatory departments and the government orders issued in the last three years to reform the regulatory system at the state level.

Detailed focussed interviews were conducted with a large number of government officials, politicians, opinion makers, entrepreneurs and representatives of industry associations to find out the manner of implementation of the economic reforms and the perception gap between different groups.

I would like to express my thanks to NCAER and its Director General, Prof. S.L. Rao for giving me the opportunity to be associated with this study. Useful directions for the study were provided by Shri Suresh Mathur, IAS, Retired Secretary Industry, Government of India and Shri R. Venkatesan, Consultant, NCAER. The discussions with the participants in the two meetings held by the NCAER were very helpful in clarifying the issues to be probed and the presentation of the findings.

I am extremely thankful to all the government officials, leaders and entrepreneurs who ungrudgingly gave their time for interviews and provided required information. In particular I would like to express my gratitude to Shri Bhola Nath Tiwari, IAS, Principal Secretary Industry, U.P. Government

and Shri D.K. Kotia, Special Secretary, U.P. Government for their gracious support and keen interest in the study.

I would also like to express my appreciation for the infrastructural support provided by the Director and staff of the Giri Institute of Development Studies, Lucknow. Shri Manoharan K. extended excellent support in word processing of the report.

February 10, 1994  
Giri Institute of Development Studies  
Lucknow

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## CHAPTER I

### INDUSTRIAL PROFILE OF UTTAR PRADESH

#### 1.1 Industrial Structure and Growth

##### 1.1.1 Industrial Base

Uttar Pradesh is one of the relatively industrially backward state of the country, though its industrial base is fairly large and diversified. Industrial sector contributes around 19 per cent of total domestic output of the state and provides employment to about 14 per cent of the workforce. There are 1358 industrial units in the large and medium sector and 312350 units in the small scale sector in the state with an employment of 5.05 lakhs and 18.47 lakhs respectively (Table 1.1).

##### 1.1.2 Industrial Structure

The industrial base of U.P. mainly consists of light engineering industries and agro-based industry, which contribute 31.6 per cent and 20.0 per cent of total industrial output in the registered manufacturing sector (Tabl 1.2). Among the agro-industries sugar enjoys a pride of place. There is a good scope of developing agro-based, livestock based, wood based industries in the state given the rich resource endowment of the state.

Table 1.1 : Industrial Progress in U.P. in Recent Years

Items	Till the end of Seventh Plan	1990- 91	1991- 92	1992- 93	Till 31.3.93
<b>I. Large &amp; Medium Industry</b>					
a) No. of Units	939	159	205	55	1358
b) Capital Invested (in Rs. crores)	7843	1372	513	476	10202
c) Employment (in lakhs)	4.49	0.16	0.21	0.19	5.05
<b>II. Small Scale Industry</b>					
a) No. of Units in lakhs	2.16	0.30	0.33	0.33	3.12
b) Capital invested (in Rs. Crores)	1320	152	206	207	1985
c) Employment (in lakhs)	14.45	1.47	1.38	1.17	18.47

Source : Department of Industry, Government of U.P.

Table 1.2 : Value of Output by Industry Groups in U.P.

(Rs. Crores)

Industry Group	1978-79	1987-88
1. Agro Based Industries	862 (28.9)	2780 (20.0)
2. Textile Industries	368 (12.4)	951 ( 6.9)
3. Livestock Based Industries	46 ( 1.5)	349 ( 2.5)
4. Wood Based Industries	5 ( - )	23 ( - )
5. Mineral Based Industries	367 (12.3)	1777 (12.8)
6. Chemical Based Industries	315 (10.6)	1100 ( 7.9)
7. Engineering Industries	779 (26.1)	4383 (31.6)
8. Miscellaneous Industries	236 ( 7.9)	2508 (18.1)
All Groups	2978(100.0)	13871(100.0)

Note : Figures are for the registered manufacturing sector only.

Source : Economics and Statistics Division, State Planning Institute, Statistical Diary, U.P., 1992.

#### 1.1.3 Relative Industrial Development

U.P.'s level of industrial development is relatively low as compared to the national average. Secondary sector contributes only around 20 per cent of SDP as compared to the figures of about 36 per cent in Maharashtra and 24.4 per cent in India. The average number of workers in registered factories per lakh of population in the state was only 450 in 1986-87 as compared to the figure of 754 in India and 1401 in Gujarat.

#### 1.1.4 Regional Variations in Industrial Development

There are considerable variations in the level of industrial development in the state at the regional and the district levels (Table 1.3). Over half of the large and medium industries in the state are concentrated in the Western region and about one-fourth in the Central region. The other three regions of the State, namely, Eastern Region, Hill Region and Bundelkhand Region are industrially backward. Ghaziabad district on the outskirts of Delhi alone accounts for 23.4 per cent of medium and large industrial units followed by Kanpur with a share of 10 per cent. Among the other districts with relatively higher concentration of medium and large industries are : Lucknow (5.5 per cent), Kuzaffarnagar (4.6 per cent), Nainital (4.6 per cent), Meerut (3.6 per cent), Saharanpur (3.0 per cent), Varanasi (2.6 per cent), Dehradun (2.5 per cent), Allahabad (2.3 per cent) and Agra (2.3 per cent).

Table 1.3 : Regionwise Indicators of Industrial Development  
in Uttar Pradesh, 1987-88

Indicator	Western Region	Central Region	Eastern Region	Hill Region	Bundelkhand	Uttar Pradesh Region
No. of Factories per lakh of population	10.9	6.7	2.2	8.6	1.6	6.3
No. of Factory Workers per lakh of population	699	662	242	525	227	568
Net Value Added Per Worker (Rs.'000)	53.1	27.1	59.5	47.6	47.9	47.7
Per Capita Value of Industrial Output (Rs.)	1648	892	499	995	278	1091
Per cent of Large and Medium Industries	51.4	24.2	15.4	7.5	1.5	100.0

Source : Economic ad Statistics Division, State Planning Institute, U.P., District-wise Development Indicators for U.P., 1992, Lucknow.

#### 1.1.5 Industrial Growth

The state is experiencing a fairly high rate of industrial growth in the last decade. Value added by registered manufacturing sector at constant prices has increased by 183.2 per cent between 1980-81 and 1991-92, while the unregistered factories registered a growth of 75.1 per cent (Table 1.4). The rate of growth of value added in

manufacturing during 1981-89 was 10.6 per cent per year in the registered manufacturing sector, 5.0 per cent in the unregistered sector and 7.6 per cent in the total manufacturing sector. The rates of growth have decelerated after 1987-88.

Table 1.4 : Trends in Net Value Added in Manufacturing Sector in U.P. At Constant Prices of 1980-81

(Rs. crores)

Year	Registered Sector	Un-Registered Sector	Total Manufacturing Sector
1981-82	610.29 (100.3)	830.89 (111.2)	1441.18 (106.3)
1982-83	913.41 (150.1)	858.00 (114.8)	1771.41 (130.7)
1983-84	1012.52 (166.3)	890.73 (119.2)	1903.25 (140.4)
1984-85	1034.11 (169.9)	906.89 (121.4)	1941.00 (143.2)
1985-86	1263.01 (207.5)	916.25 (122.6)	2179.26 (160.7)
1986-87	1277.18 (209.8)	1027.53 (137.5)	2304.71 (170.0)
1987-88	1483.62 (243.7)	1075.44 (143.9)	2559.06 (188.7)
1988-89	1622.63 (266.6)	1070.70 (156.7)	2703.33 (206.0)
1989-90	1666.14 (273.7)	1214.09 (162.5)	2880.23 (212.4)
1990-91	1743.66 (286.5)	1272.32 (170.3)	3015.98 (222.4)
1991-92	1723.76 (283.2)	1308.08 (175.1)	3031.84 (223.6)

Note : Figures in brackets show index with 1980-81 = 100.

Source : Economic and Statistics Divisions, State Planning Institute, U.P., Estate Income Estimates : U.P., 1980-81 to 1991-92, 1993, Lucknow.

The response of industries has been very encouraging since the liberalisation policies announced in 1991. Between

August 1991 and August 1993 U.P. has received 1287 Industrial Entrepreneurs Memorandum (TEM) out of the total 10505 TEMs received in India. U.P. enjoys third position in this respect after the states of Maharashtra and Gujarat. The progress of TEMs and their implementation has been shown in Table 1.5.

Table 1.5 : Progress of TEMs in U.P.

Items	1990-91	1991-92	1992-93	Total
<b>I. Total TEMs Received</b>				
a) Number	516	510	184	1210
b) Investment (Rs. crores)	4271	4934	4321	13526
c) Employment	104085	65303	32782	202170
<b>II. Under Implementation</b>				
a) Number	379	363	167	909
b) Investment (Rs. crores)	2645	2887	4156	9688
c) Employment	81593	46197	31213	159003
<b>III. Under Active Implementation</b>				
a) Number	59	73	11	143
b) Investment (Rs. crores)	1,090	1,591	1,32	2813
c) Employment	9457	12410	935	22802
<b>IV. Implemented</b>				
a) Number	51	57	6	114
b) Investment (Rs. crores)	284	333	32	649
c) Employment	8313	4741	634	13688
<b>V. Cancelled</b>				
a) Number	27	17	-	44
b) Investment (Rs. crores)	253	122	-	375
c) Employment	4722	1955	-	6677

Source : Department of Industry, Government of U.P.

## 1.2 Infrastructure

### 1.2.1 General

The general availability of social and economic infrastructure in U.P. is fairly satisfactory as compared to the national average though not as good as in the developed states like Maharashtra, Gujarat or Punjab. Taking India as 100 the value of composite index of infrastructure development of U.P. is 106 against the value of 113 for Maharashtra and 210 for Punjab. There are also sharp variations in the level of infrastructural development within the state, with Western Region in a relatively better position.

### 1.2.2 Transport

The state has a good and extensive network of roads and railways with a length of 62,712 kms. of surface roads and 8,867 kms. of railway routes. Road and railway mileage per 100 sq. km. of area in U.P. is well above the national average. All major urban centres of the state are well connected with different parts of the country through road transport and railway network. Lucknow, the capital of the State, is also on the network of Indian Airlines.

Table 1.6 : Indicators of Infrastructural Development in  
Uttar Pradesh and India

Indicator	U.P.	India
1. Per Capita Consumption of Electricity	144	200
2. Percentage of Villages Electrified	69.8	75.00
3. Length of Surfaced Roads per 100 sq. kms. of area (Kms.)	25.2	22.7
4. Railway Routes per 1000 sq. kms. of area (kms.)	30.2	19.9
5. Post Offices per lakh of Population	13	18
6. Telephone Connections per lakh of Population	218	-
7. Telegraph Offices per lakh of Population	4.4	-
8. No. of Bank Offices per lakh of Population	6.2	7.2
9. Per Capita Bank Deposits (Rs.)	975	1377
10. Per Capita Bank Credit (Rs.)	41.4	859
11. No. of Higher Secondary Schools per lakh of Population	5	9
12. No. of Hospitals and Dispensaries per lakh of Population	2	5

Source : Government of U.P., Draft Eighth Five Year Plan  
1992-97

### 1.2.3 Communications

The state has 19,366 Post Offices, 5,520 Telegraph Offices and 3,92,206 telephone connections. Though communication facilities are reasonably well spread, they are still much behind the level attained in developed states of the country.

#### 1.2.4 Banking

There is a large network of Commercial Banks in the State with 8500 bank branches. However, per capita bank credit is less than half of the national average. The credit-deposit ratio is quite low, i.e., around 42.

#### 1.2.5 Social Infrastructure

A good number of urban centres of different sizes are spread all over the State. A large number of good public schools exist in different parts of the State. U.P. has 16 general and 3 agricultural Universities besides one Indian Institute of Technology and one Indian Institute of Management. In addition there is a large number of Regional Engineering Institutes, Polytechnics and Industrial Training Institutes. Thus, the position with respect to availability of trained and skilled manpower is fairly good. Medical facilities of a high order are also available in major cities, in the Post Graduate Institute of Medical Sciences at Lucknow and the Government Medical Colleges in different parts of the State. Private hospitals and clinics have also mushroomed in the recent past supplementing the medical facilities available in government hospitals.

#### 1.3 Power Availability and Rates

Availability of power has been a major constraint on industrial development. Peak demand is currently estimated

at 4700-5200 MW against the availability of 4100-4600 MW. Thus there is a shortage of about 12 per cent in power supply in relation to demand resulting in load shedding, interruptions and low voltage in power supply. Line losses are also fairly high, in the range of 23-24 per cent. The state is importing nearly 40 per cent of its power requirement and generating the balance from its own resources.

At present the total installed capacity in U.P. is 4,753.75 MW, out of which 3,240 MW is contributed by Thermal Plants and 1,504.75 from Hydle Plants. Power availability is likely to rise substantially in 1994 with the expected commissioning of two units of 500 MW of Anpara 'B' Hydle project in January and July respectively.

The state is also planning to augment power supply by inviting private sector investment in the power sector. Some steps have already been taken in this direction and MOUs with private parties signed. Efforts are also being taken to improve the transmission and distribution system in the State.

The power situation is likely to considerably ease in the near future.

The electricity rates applicable for different categories of power connection have been given in Table 1.7.

Table 1.7 : Rate of Electricity Charge for Different Types of Power Connections

Description	Fixed Charge Plus per month	Energy Charge for consumption
1. Small Power loads upto 25 BHP	Rs.22/- per BHP	135 P/KWH
2. Medium power loads above 25 BHP and Upto 100 BHP:		
a) Non-continuous process	Rs.32/- per BHP	145 P/KWH
b) Continuous process	Rs.40/- per BHP	150 P/KWH
3. Arc Furnaces, Rolling Mills and Steel Plants for loads above 100 BHP	-	200 P/KWH
4. Large and Heavy Power for loads above 100 BHP:		
a) Non-continuous process	Rs.100/- per KVA	145 P/KWH
b) Continuous process	Rs.120/- per KVA	160 P/KWH

Notes : 1. There is a rebate of 10 P/KWH for timely payment.  
 2. A fuel surcharge is also levied.  
 3. There are provisions for minimum consumption guarantee.

#### 1.4 Industrial Estates

Large and small estates have been developed by the Department of Industry and U.P. State Industrial Development Corporation all over the State. Industry Department has developed 89 large and 165 mini-industrial estates, while UPSIDC has developed 126 industrial areas. The land is divided into plots of varying sizes from 400 sq. mtrs. to 7200 sq. mtrs. and above.

Since its inception the UPSIDC has acquired 35190 acres of land out of which 20685 acres land has been allotted to 14793 entrepreneurs. 7137 acres are available for allotment as on 31.12.1993. The target for acquiring additional land during the Eighth Five Year Plan has been fixed at 6000 acres. During 1991-92 an area of 1650 acres was allotted by NOIDA, Greater NOTDA and UPSIDC, which went upto 1824 acres in 1992-93.

The position of land availability and rate of land in industrial estates in selected districts have been indicated below.

Table 1.8 : Availability and Rate of Land in Selected Industrial Estates

Districts	Total Land Acquired (acres)	Allotted Land (acres)	Balance Available for allotment (acres)	Rate per Sq. Mtr.
Agra	429	324	10	200 - 235
Aligarh	1548	866	403	225 - 400
Ghaziabad	6267	3575	1330	350-500-800
Allahabad	1290	558	256	50 - 65
Jaunpur	552	248	106	50 - 71
Gorakhpur	305	72	28	65 - 110
Sultanpur	3392	1904	1138	30-50-200
Jalaun	537	189	180	50
Total U.P.	35190	20686	7137	

Source : UPSIDC.

The quality of infrastructure available at these industrial estates is often not of a very high order particularly in respect of telecommunication facilities. Maintenance of roads, drainage, etc. also is not upto the mark. Lack of funds is the major problem. Attempt is being made to involve the private sector in development and maintenance of the industrial estates. In the light of the above it is proposed to upgrade the infrastructural facilities in selected industrial estates in Kanpur Rural, Muzaffarnagar, Saharanpur, NOIDA, Greater NOIDA, Meerut, Mathura, Bareilly and the Government of India approved growth centres at GTDA, STDA, Shahjahanpur, Etawah, Moradabad and Jhansi.

## CHAPTER II

### INDUSTRIAL POLICY AND INCENTIVES

#### 2.1 Industrial Structure

The State Government is trying its best to promote industrialisation in the state by encouraging the local entrepreneurs and attracting outside industrialists by providing various facilities and incentives. The major promotional agencies in the state are:

1. Pradeshiya Industrial and Investment Corporation of U.P. (PTCUP).

Established in 1972 to provide term lending and other technical and managerial assistance to large and medium industries. Distributed loans worth Rs.142 crores in 1991-92 and Rs.147 crores in 1992-93.

2. U.P. State Industrial Development Corporation (UPSJDC)

Established in 1961 to develop industrial areas and provide equity capital to industry. So far 126 industrial estates have been established. Land allotted in 1991-92 was 1585 acres and in 1992-93 1665 acres.

3. U.P. Small Industry Corporation (UPSTC).

Established in 1958 to provide support services and assistances to Small Scale Sector.

4. U.P. Financial Corporation (UPFC)

Established in 1954 to provide term loans to small and medium industries. Total loans distributed in 1991-92 and 1992-93 amounted to Rs.146 crores and Rs.143 crores respectively.

In addition industrial area development authorities have been functioning at NOIDA and Greater NOIDA in district Ghaziabad at the outskirt of Delhi where a large number of industrial units have been set up. Recently two new authorities known as STDA and GIDA have been set up to develop industrial areas in Eastern U.P.

A number of other industry level corporations are also functioning in the State, such as U.P. Mineral Development Corporation, U.P. Export Corporation, U.P. Brassware Corporation, U.P. Leather and Marketing Corporation, U.P. Handloom corporation, etc.

## 2.2 Industrial Policy of the State

The State Government has come out with an industrial policy statement in 1990 which spelt out the objectives and strategy of industrial development in the state and announced a package of incentives. The industrial policy of the state emphasized the creation of a healthy, congenial and dynamic industrial environment in the State, expansion of employment opportunities by promoting small scale and rural industries and removal of regional imbalances in industrial development.

The strategy of industrial development included the following salient features:

- (a) Special incentives to industrially backward areas;
- (b) Strengthening of infrastructural facilities;

- (c) Development of entrepreneurial and technical skills through specialised training courses;
- (d) Time bound provision of concessions and facilities and simplification of procedures;
- (e) Creation of a single window system at the district, divisional and state levels;
- (f) Special incentives for Non-Resident Indians;
- (g) Special incentives for export-oriented industries;
- (h) Creation of a Venture Capital fund to provide equity capital to medium and large industries;
- (i) Special schemes for promotion of selected industries; and,
- (j) Proper balance and coordination between public sector, joint sector and private sector.

### 2.3 Package of Incentives

The State Government has announced a package of concessions and incentives for new industries to be set up in U.P. during the period 1.4.1990 to 31.3.1995.

For the purposes of the availment of these incentives the districts of the State have been classified into the following four categories according to the level of industrial backwardness:

Category A : Banda, Hamirpur, Jalaun, Fatehpur, Jaunpur, Sultanpur, Kanpur Rural, Almora, Chamoli, Pauri Garhwal, Tehri Garhwal, Uttar Kashi, Pithoragarh, Dehradun and Nainital.  
 (Most backward Districts)

Category B : Trans Yamuna area of Allahabad except Naini, Basti, Sidharthnagar, Faizabad, Jhansi, Lalitpur, Rae Bareli, Ballia and Taj Trapezium area.  
 (Less backward Districts)

Category C : Azamgarh, Mau, Bahraich, Deoria, Barabanki, Etah (excluded area), Etawah, Farrukhabad, Ghazipur, Gonda, Hardoi, Mainpuri (excluded area), Mathura (excluded area), Moradabad, Pilibhit, Pratapgarh, Rampur, Shahjahanpur, Budaun, Sitapur, Unnao and Bulandshahr.

Category D : Kanpur, Agra (excluded area), Ferozabad (excluded area), Allahabad (excluded area), Lucknow, Bareilly, Meerut, Ghaziabad, Muzaffarnagar, Saharanpur, Hardwar, Bijnor, Lakhimpur Kheri, Aligarh (excluded area), Varanasi, Mirzapur, Sonbadra, Gorakhpur and Maharajganj.

The major industrial incentives offered by the State include the following:

State Capital Subsidy is provided at the following rates to the new industrial unit on their fixed capital investment or for expansion of capacity above 25 per cent or for modernization.

#### U.P. Plains

Backward Districts of Category A - 20 % (Upto Rs.20 lakhs)

Backward Districts of Category B - 15 % (Upto Rs.15 lakhs)

Backward Districts of Category C - 10 % (Upto Rs.10 lakhs)

#### U.P. Hills

Tarai Area of Hills - 20 % (Upto Rs.20 lakhs)

Other Hill Areas - 30 % (Upto Rs.30 lakhs)

Border Districts - 35 % (Upto Rs.35 lakhs)

25/6/82

The capital subsidy is not available to units with investment above Rs.5 crores.

The pattern of State Capital Subsidy is being restructured by taking Development Blocks as the unit of backwardness.

Special Subsidy for pioneering units above certain limits of investment at the district, tehsil and block levels. It is proposed to abolish this scheme.

Transport Subsidy in Hill Districts for transport of raw material and finished goods from railheads to the unit at 25% of transport cost. There is a special transport subsidy of 50 per cent for movement of goods above 50 Kms. within the hill districts. These subsidies are in addition to the central transport subsidy of 75 per cent for hill regions.

#### Sales Tax Exemption/Deferment Scheme

Sales Tax exemption is provided at the following rates to new units or modernization and expansion of existing units:

Category A districts	-	100 % of investment or 8 years
Category B districts	-	125 % or 9 years
Category C districts	-	150 % or 10 years

(This list is separate from the list of industrially backward districts)

For small scale industry the rates of exemption are 125 per cent, 150 per cent and 175 per cent in Categories A, B and C districts respectively.

The tax exemption will be 100 per cent of payable Sales Tax in the first year and then on a sliding scale.

In lieu of Sales Tax exemption deferment of tax will be available to all new units.

It is proposed to restructure the scheme to make it more comprehensive.

#### Special Rebates in Power Charges

All new units are exempted from minimum demand charge for first five year period.

A development rebate is given at the rate of 20 per cent in selected Eastern districts, 33.3 per cent in Hill districts and 50 per cent in Bundelkhand districts.

Other concessions and incentives include the following:

- (a) Special assistance for modernisation and upgradation of small scale units.
- (b) Special assistance to designated thrust industries like project councelling, preparation of feasibility report and technological data.
- (c) Additional capital subsidy of 10 per cent of fixed capital investment upto Rs.10 lakhs to 100 per cent export oriented units.
- (d) Seed capital upto Rs.15 lakhs.

- (e) Equity capital support to new units.
- (f) Concessional loans upto 50 per cent of margin money.
- (g) Interest concession and additional capital subsidy to entrepreneurs belonging to the category of scheduled caste/tribe, women and ex-army personnel.

#### Special Facilities for Non-Resident Indians

Following special facilities were announced for NRIs:

- (a) Udyog Bandhu will act as the nodal agency for NRIs, through which all facilities will be channelled.
- (b) A special cell will be created in PTCUP for speedy processing of NRI loan applications.
- (c) Highest priority will be given to NRIs in allotment of plots/sheds in the industrial estates and residential plots/houses in the urban housing schemes.
- (d) 15 per cent share capital will be provided by UPSTDC for the projects established by technical NRIs.
- (e) Seed capital upto Rs.15 lakhs will be provided on a priority basis to NRIs through PTCUP/UPFC.

#### 2.4 Assessment of State's Industrial Policy

The industrial policy of the state rightly puts emphasis on the development of the small scale and rural industries to generate higher employment. Medium and large industries were to be promoted in the core sector and sectors which are beyond the capacity of the small scale sector and helpful in the promotion of the small and rural industries. No concrete steps have, however, been taken to ensure integrated development of the large and small sectors.

The other major objectives of the State's industrial policy has been to encourage the development of the backward areas. In fact 44 out of the 63 districts are industrially backward. The package of incentives have been devised to provide graded facilities according to the extent of backwardness. Hence there has been too thin a spread of the incentives provided. The policy efforts have so far failed to check the concentration of industrial growth in relatively more developed areas. A tendency towards location of new industries in the backward districts around the developed centres has been observed. A strategy of concentrated decentralization needs to be worked out to develop selected growth pols in different parts of the state.

Adequate budgetary provisions are not made. As a result expenditure actually overshoots the provisions. Expenditure on medium and large industries was Rs.68.32 crores in 1991-92 against the budgetary provision of Rs.43.84 crores. In the year 1992-93 budgetary provisions declined to Rs.35.50 crores while expenditure shot put to Rs.87.63 crores.

Discussions with industrialists revealed a general awareness among entrepreneurs about the facilities and incentives offered to industry. The incentives have also played a role in encouraging investment. However, there are complaints about the procedural obstacles and delays in the disbursement of the loans, subsidies and concessions. There are wranglings about the details of the provisions

particularly by Sales Tax Department. In one case reported to us Sales Tax rebate was disallowed as one of the machine installed was second hand. Problem of graft in disbursement of loans, etc. was also reported by many entrepreneurs. Prolonged delays in release of sanctioned assistance is also causing frustration. An amount of Rs.26 crores remains to be paid towards various capital subsidies to 2800 industrial units. Shortage of funds available with the organizations is affecting the smooth operation of the incentive schemes.

Adequate budgetary provisions have to be made to attain the objective of time-bound and speedy disbursal of facilities laid down in the industrial policy statement.

## CHAPTER III

### PROCEDURE FOR ESTABLISHMENT OF AN INDUSTRIAL UNIT

#### 3.1 Sequence of Clearances

The setting up of an industrial unit even after the abolition of licences is a cumbersome and dilatory process. Apart from arranging land and finance an entrepreneur has to take numerous clearances and licences and has to get a large number of registrations with various departments. Depending upon the nature of the industry and requirements of the entrepreneur nearly 20 to 30 clearances have to be obtained before commencing production. These can be grouped under four phases as illustrated in the accompanying chart.

Depending upon the preparedness, resources, connections and initiative of the entrepreneur the entire process of stepping up an industry can take from several months to several years. According to a memorandum prepared by the Indian Industries Association the whole process can take from 2141 days to 2763 days. Though this may appear to be on a higher side, it amply demonstrates the entrepreneur's perception of the delays and hurdles in setting up an industry. In the past two-three years the State Government has taken several important decisions to expedite the process

CHART 3.1The Sequence of Clearances Required for Setting up  
An Industrial UnitPhase I

		Time			
1.	Temporary Registration				
2.	Temporary Sales Tax Registraton	3. N.O.C. From Pollution Control Board	4. Sanction	6. Land connection	6. Land Allotment
			Application for Term Loan/Working Capital		
				7. Sanction of Term Loan	

Phase II

Application for Sanction	9. Sanction of Building Plan	5. Power Connection for construction Work	8. Possession of Land
		Start of Construction Work	

Phase III

10. Sanction of Working Capital	12. Clearance From Pollution Control Board	Completion of Constru- ction Work	11. Power Connection
		Start of Production	

Phase IV

13. Registration	14. Licence	15. Raw Material and other Registrations
- Industry Department	- Food Department	- Material purchase Scheme
- Sales Tax	- Drug Controller	- Small Industry Corporation
- Factory/Shop Act	- Food Product Order	- Petroleum Products
- E.S.I.	- Explosive Act	- Iron & Steel
- Central Excise	- Others	- Coal
- Others		- Others
	16. Incentive Schemes	

Source : G.O. No.3375/18-2-91-30(5)-91, Industry Department,  
U.P. Government, Annexure 1.

of obtaining clearances required for setting up an industry by decentralizing the decision making power and laying down time frame for each clearance beside simplifying the application forms and procedures. For this purpose two authorized committees have been set up at the district and divisional levels presided over by the District Collector and Commissioner respectively. All concerned officers of various departments at the district and divisional level have been made member of the authorized committee. Single window clearance system has been introduced through these committees which are expected to meet at least once a month.

The details of procedures, sanctioning authorities and time frame for different types of clearances has been given in the following paragraphs.

### 3.2 Purchase of Land

Under the U.P. Zamindari Abolition Act, 1950 one is free to purchase land upto 12.50 acres. For registration of such deeds Sub-Divisional Magistrate is the competent authority, who is also the competent authority to convert agricultural land into non-agricultural land.

No person can acquire more than 12.50 acres of land without the permission of the government. Application for acquiring land in excess of 12.50 acres for industrial purposes will be given on prescribed proforma through the

District Industry Centre to Director Industry, who will forward it to the Government (Industry Department) with his recommendations. After receiving the recommendation of the Industry Department, Revenue Department will issue orders under Section 154(2) of U.P. Zamindari Abolition Act, 1950 for acquisition of land in excess of 12.50 acres.

The total time frame fixed for processing these applications at various stages upto final sanction is prescribed at 5 months. Nearly 600 acres of land was acquired for TELCO near Lucknow. Notification for acquisition was given in March 1985. It took one year to give possession to TELCO. Litigation is still going on about some plots of land with the villagers. Award for compensation is still pending.

Earlier such land was acquired through U.P.S.I.D.C. to be made available to industry. Now industrialists are encouraged to buy land directly after obtaining permission of the Government.

The process is dilatory and often gets bogged down in litigation on questions of ownership, compensation, etc.

### 3.3 Industrial Estates

Large and small estates have been developed by the Department of Industry and U.P. State Industrial Development Corporation all over the State. The district level authorized

committees have been now empowered to allot plots in the industrial estates.

The price of land varies from place to place and is revised upwards according to market trend. The cost of land is funded by UPSIDC, UPFC and PICUP. The amount is to be paid over 5 years in 10 six monthly instalments. Interest of 20 per cent is charged with rebates of 2 to 4 per cent for timely payment.

Transfer of land is permitted on payment of transfer levy. Sub-letting is also now permitted on a nominal charge. Some entrepreneurs have also got allotted plots for speculative purposes. Two year period is given for setting up an industry.

The process of land allotment is simple and speedy. The major problem encountered is the requirement of NOC under Land Ceiling Act which covers the industrial estates as well.

### 3.4 Permission to Construct and Establish Units

Clearance of maps for construction of factory building is to be obtained from 5 types of institutions:

1. Deputy Director Factory under Factories Act.
2. Concerned Industrial Development Authority/Urban Development Authority/Municipal Board.
3. UPSIDC/Directorate of Industry in case of Industrial Estate.

4. Fire Brigade. 28
5. U.P. Road Side Land Regulation Act.

Assistant Director Factories have been delegated the authority to approve building plan and issue licence under the Factory Act.

In 12 large cities NOC has to be obtained from the Designated Officer, Urban Land Ceiling.

In all urban development authorities a separate officer has been appointed to approve maps for factories.

In regulated urban areas and where master plans have been approved permission from the designated officer is also required.

In all other areas the maps will be approved by the UPSIDC/DTC.

District Magistrates have the power to approve construction in areas covered by the U.P. Road Side Land Act.

Fire licence where needed is to be obtained by Fire Officer.

Other formalities for starting construction include:

1. No Objection Certificate from Pollution Control Board.
2. Temporary power connection for construction.
3. Temporary Sales Tax Registration for bringing material during construction under Form 31, Form C and Form 3 (Kha).

Major delays occur in obtaining NOC from Urban Ceiling Officer and Pollution Control Board.

### 3.5 Power Connection

Obtaining power connection has been one of the major problems faced by the entrepreneur both because of the procedural delays as well as shortage of power supply. Certain procedural changes have been introduced in the past two years to streamline the process.

Application for power connection has to be given on prescribed form to the concerned Executive Engineer, UPSEB. The district level authorized committee has been empowered to sanction power load upto 100 HP, while Divisional Level Committee has been empowered to sanction loads upto 1000 HP. For loads exceeding 1000 HP permission has to be obtained from the Chairman, UPSEB. The application should be recommended by the term lending institution financing the unit and the Director of Industry in other cases. Before sanctioning the load technical feasibility report on the prescribed proforma is obtained by the UPSEB from the concerned local officer.

The following time frame has been prescribed for disposing the applications. Decision for sanctioning the connection is to be communicated within one month from the date of application. Estimate of cost will be made available within 6 weeks from the date of sanction. Power connection

will be provided within 3 months after the deposit of money and completion of other formalities.

However, in practice actual power connection takes much more time and may exceed even a year. There are also general complaints above the quality of power supplied.

Service connection and distribution mains (transformer, switchgear, etc.) are erected by the Electricity Board on payment. Internal wiring has to be done by an approved licence contractor as per the Indian Electricity Act and Rules. Before giving connection the electric installations are to be inspected by the Director, Electric Safety, U.P. There is provision for annual inspection.

Consumers with a sanctioned load of over 100 HP can be supplied power from independent feeder on payment of its cost and installation charges.

Power reading is taken every month by Junior Engineers for connections from 25 to 50 HP, by Assistant Engineer for connections from 50 to 500 HP/KVA and by Executive Engineer for connections above 500 HP/KVA.

Permission to install own generating set can be given by the Electricity Board after inspection by Director, Electric Safety. For installing generating sets/captive generation plant with a capacity above 25 MW permission from Central Electricity Authority, Government of India is also to be obtained.

The procedure for obtaining water connection depends upon the place of location of the unit. In areas covered by Municipal Bodies connection has to be obtained from the Jal Sansthan. Water charges are around 15 per cent of the rateable value of the property.

In units located outside the Municipal boundaries whether in industrial estates or on private land generally the unit has to make its own provision of water supply by installing tubewell.

### 3.7 Fire Licence

Where required fire licence is to be obtained from the Fire Officer, who has been made member of the Authorized Committee at the district level.

### 3.8 Environmental Clearances

Environmental clearances have to be obtained under Water Pollution Control Act, 1974, Air Pollution Control Act, 1981 and Environmental Protection Act, 1986. Following procedural rules for obtaining clearances have been laid down to make the process less cumbersome. Industries have been classified under three categories by the Pollution Control Board vide office order No.6761/32/91/21 dated 26-11-1991:

1. 179 Non-Polluting industries in the Small Scale Sector for which M.D., D.I.C. has been authorised to issue provisional NOC. The period of clearance will be three years.
2. 50 less polluting industries in the medium group (investment upto Rs.5 crores) for which Regional Level Officer have been authorised to issue NOC. The period of clearance will be two years.
3. Other polluting industries for which clearance has to be given by the Pollution Control Board.

For all large scale industries and 17 polluting industries covered by Government of India Action Plan clearance has to be obtained from the head office of the Pollution Control Board.

U.P. Pollution Control Board has further notified vide its office order No.710/37/93/1/ARN dated 18-1-1993 that all categories of small scale industries other than 17 industries in Government of India list shall make consent seeking application as prescribed to the U.P. Pollution Control Board and the acknowledgement of such applications by Board shall be deemed as consent under section 25/26 of Water (Prevention and Control of Pollution) Act, 1974.

The 17 polluting industries in Government of India list include the following : fertilizer, sugar, cement, fermentation and distillery, aluminium, petrochemicals, thermal power, oil refinery, sulphuric acid, tanneries, copper smelter, zinc smelter, iron and steel, pulp and paper, dye and dye intermediates, pesticides and basic drugs and pharmaceuticals.

Application has to be given on prescribed form with details of lay out, production process and plans for air and water discharge. For sanction a period of three months has been prescribed.

The need for pollution control is realised by the entrepreneurs. However, there are general complaints of delay beyond the prescribed period of three months. All objections are often not made at one time. Sometimes an objection may be raised just before the expiry of the time limit of three months. Later on when the objection is removed other objections may be made. The process is thus delayed. Complaints of graft are also frequently mentioned by the entrepreneurs. The officers of the Pollution Control Board blame the industrialists for not providing information and taking required steps for pollution control as the reason of delay.

### 3.9 Registration of Sales Tax, Provident Fund, etc.

The main registrations required for production and the authority for registration are given below:

1. Industries Department - D.I.C.
2. Sales Tax Department - District Sales Tax Officer
3. Factory Act - Assistant Director, Factory
4. Shops and Commercial Establishment Act - Assistant Labour Commissioner
5. Employees State Insurance- State/Regional Level Officer Act

6. Central Excise Act	- State/Regional Level Officer
7. Other Registration required by specific industries	- Concerned Officer

M.D., D.I.C., are required to arrange for all required forms for registration and forwarding them to the concerned authorities. The validity of registration under Factory Act/Shops and Establishments Act has been extended to five years. Period of temporary registration for Sales Tax has been extended upto two years.

Registration limit for registration of manufacturers for sales tax purposes has been raised recently from Rs.50,000 per year to Rs.1.00 lakh per year.

Self assessment limit have been raised to Rs.2.50 lakhs for taxable value and Rs.25.00 lakhs for gross sale value.

Procedure for obtaining Form 31 has been relaxed, as it was causing hardships.

Sales Tax in the state is generally higher than that in the neighbouring states like Madhya Pradesh and Delhi which is causing diversion of trade. Rates have been reduced and rationalised to some extent.

The State is not levying any consignment tax, entry tax, octroi or toll tax on movement of goods. However, Sales Tax on import of goods from outside or for movement within the state has to be deposited as security. Registered traders are required to deposit three times of the tax payable or 40

per cent of the value of goods imported from out of state and two times of tax payable or 40 per cent of value of goods in case of movement of goods within the states. There are many hassles in bringing machinery, etc. from out of state, e.g., disputes about valuation, etc.

### 3.10 Licences

For specific industries different types of licences have to be obtained as detailed below:

Licence from Food Department	-	Sub Divisional Marketing Officer
Licence Under Drug Control Act	-	Chief Drug Controller
Licence Under Explosives Act	-	District Magistrate/Chief Inspector of Explosives
Food Product Order	-	Government of India

DTC is required to supply all required forms and to forward them to the concerned authority.

Industry Department also assesses the requirement of different types of raw materials at the time of final registration. With the removal of controls on the distribution of steel and cement work load of the Industry Department is considerably reduced. Controls, however, still exist on distribution of furnace oil and wax. Industry Department also sponsors industrial units to the Railway authorities for allotment of wagons for coal.

### 3.11 Arrangement of Finances

In addition to obtaining various clearances for setting up an industrial unit an entrepreneur has to raise finances or fixed and working capital. The major agencies for providing capital are : PICUP, UPFC and the Commercial Banks. PICUP caters to the term loan requirement of medium and large industries. It is the largest term lending institution in the whole country among the state level industrial development corporations. Its authorized capital is Rs.103.58 crores and it gets refinance facilities from IDBI. PICUP sanctioned loans worth Rs.167.69 crores in 1991-92 and Rs.228.06 crores in 1992-93. Against this loans disbursed amounted to Rs.141.62 crores and Rs.147.00 crores in the two years respectively. Loan recoveries amounted to Rs.87.84 crores and Rs.102.74 crores in 1991-92 and 1992-93 respectively. Financial health of the institution is sound and it recorded profit of Rs.2.78 crores and Rs.3.74 crores in the last two years.

The financial health of UPFC has not been good in the last two-three years. Loans sanctioned by the institution declined from Rs.227.75 crores in 1991-92 to Rs.190.00 crores in 1992-93, while loans distributed declined from Rs.146.02 crores to Rs.143.00 crores over the same period. The operations of UPFC were affected by choking of refinance facilities from SIDBI. The financial position of UPFC has recently improved with financial support extended by the

government and resumption of refinance by SIDBI. The entrepreneurs generally expressed their dissatisfaction with the working of UPFC and long delays in finalizing decision about loan sanction.

Problems of obtaining bank loan are also quite acute affecting the working of industrial units often leading to sickness. The level of bank loaning in U.P. is much lower (Rs.414 per capita) than at the national level (Rs.859 per capita) and the credit-deposit ratio is hardly 42 per cent. In the recent past commercial banks have also become more cautious and conservative in granting industrial advances. Squeeze of funds has also affected their working. The entrepreneurs were very vociferous in articulating the problem of obtaining bank finances for working capital. The problem of getting bank finance is all the more for the first generation entrepreneurs.

### 3.12 Conclusion

It would be evident from the above discussion that the process of establishing an industrial unit is quite cumbersome and dilatory. In addition to arranging for plant, raw material and labour the entrepreneur has to obtain a large number of clearances and licences from various organizations. While resourceful persons with political and administrative patronage are able to get over these problems, an ordinary person finds the process very difficult and dampening involving much running from pillar to post. Major

obstacles encountered are at the level of land purchase and its registration, obtaining power sanction, pollution clearance and bank finance.

A number of steps have been taken by the State Government in the recent past to streamline the process by decentralizing the decision making powers and establishing single window clearance system. The effectiveness of these measures is evaluated in the next chapter.

## CHAPTER IV

### ECONOMIC REFORMS AT THE STATE LEVEL

#### 4.1 State's Response to Economic Reforms

The process of economic reforms initiated at the national level is gradually percolating to the state level. The awareness of the need for reforms is high among the top level policy makers. Every Chief Minister is keen to attract more industries to the state. There has been a continuity in policy direction towards liberalisation in spite of frequent change of governments. It is also strongly felt by policy makers that the Central Government has been taking unilateral decisions on economic matters which have important repercussions on the states without required interaction with State Governments.

There is also a general feeling that with removal of controls on location of industries backward states like U.P. will suffer as industries will prefer to go to more developed states. As a result there is bound to be greater competition among states to attract industries by offering various incentives. Hence the policy makers are keen to make the economic environment more favourable to industries.

Following this change in attitude at the higher level a number of steps have been taken to provide a better

industrial climate and simplify the system of clearances. Some of the more important steps towards economic reforms taken by U.P. Government which need to be highlighted include the following:

1. Measures to simplify the process of issuing various clearances through single window system by setting up district level and divisional level authorised committees which have been delegated substantial decision making powers.
2. Simplifying and regulating the system of inspection by various departments to make it more industry friendly.
3. Decision to introduce the system of self inspection by factories in selected places on an experimental basis.
4. Simplification of forms and returns.
5. Privatization/closure of loss making industrial undertakings and corporations.
6. Steps to strengthen and upgrade infrastructure in selected industrial estates and involving private sector in development and management of industrial estates.
7. Decision to involve private sector in generation and distribution of power.
8. Speedy redressal of problems faced in setting up industries through state and district level Udyog Bandhu.
9. Special facilities to NRI and foreign industrialists like out of turn allotment of land and power connection, subsidy on land purchase, sales tax concessions, etc.
10. Restructuring the system of industrial incentives to make them more comprehensive and attractive.

We have discussed below the major steps taken towards economic reforms in the industrial sector in the state of Uttar Pradesh.

#### 4.2 Privatisation of State PSUs

A large number of public sector corporations and undertakings in the state have been in the red for a considerable time acting as a drain on the state budget. Faced with serious fiscal constraint the State Government was left with no option but to close down or privatize those corporations and undertakings which were incurring regular heavy losses. Over the last three years as many as 15 public undertakings corporations have been closed down in the State bringing down their number from 66 to 51. First to be closed down were U.P. Chalchitra Nigam and U.P. Horticulture Corporation along with divisional level Area Development Corporations. Two other corporations which were to be privatized by the Government were the Auto Tractors Limited and the U.P. Cement Corporation. However, following labour protest the new Government decided to retain the latter in the public sector. The case has been taken by the concerned party to the Supreme Court.

The case of U.P. Tyres and Tubes Limited has been referred to BIFR in 1992. The company has entered into technical and marketing collaboration with Vikrant Tyres Limied, Mysore.

Advertisements were issued for privatisation of U.P. Instruments Limited in 1990. However, no worthwhile offers have been received.

A decision was taken in October 1992 to privatise/restructure seven spinning mills out of the 25 mills under U.P. Textiles Federation, namely, Mau Nath Bhanjan Spinning Mill of State Spinning Company, Banda and Ballia Units of State Yarn Company, Fatehpur and Campil units of Cooperative Spinning Mills Federation and Bhadohi Woollen Mills. Advertisements were issued for private sector participation of four closed units, i.e., Akbarpur, Fatehpur, Campil and Bhadohi in November 1992, following which 10 offers were received. Fatehpur and Campil units have been since given on job work since the offers were not found suitable. In case of Bhadohi Woollen Mills sale of unit to Surya Carpet Private Limited has been recommended. For Akbarpur unit private offer for lease arrangement is being considered.

The new Government has recently taken decision to privatize a number of sick textile and sugar mills in the state sector.

Though the principle of privatisation of public sector undertakings which are incurring regular losses has been accepted by the successive governments, a systematic and consistent policy has yet to be evolved. In case of U.P. Cement Corporation the decision to privatise was reversed in face of pressures from labour and the public. There has also been controversies about the correct valuation of the assets of the public sector units to be privatized. Even where steps are taken to privatise a unit, worthwhile offers are

not received in many cases. The ability of the State Government to close a unit or restructure labour force is also constrained by lack of funds for voluntary retirement schemes. There is thus need to evolve a systematic policy towards privatisation of State PSUs. The funds raised through privatisation should be utilized to create an industrial restructuring and development fund.

#### 4.3 Opening Up of Infrastructure to Private Sector

The State Government is also moving in the direction of opening up of infrastructure to the private sector to supplement state level efforts. The major steps taken in this direction include the following.

It has been decided to involve the private sector in power generation and distribution. Three MOUs have already been signed with private parties for participation in power generation : Vishnu Prayag Hydel Scheme with J.P. Industries; Roja Thermal Plant (3 x 250 MW) with Indo Gulf Co.; and Jawaharpur Hydel Scheme (3 x 250 MW) with Pacific Electric Development Corporation, Canada.

Distribution of power in Greater Noida industrial area has been handed over to Noida Power Company of RPG Group, which will be supplied power by UPSEB at Rs.1.66 per unit.

The Industry Department is also trying to involve private sector in the maintenance of industrial estates and in running technical training institutions.

The overall visible impact of the process of involvement of private sector in infrastructure sector is still low and most of the efforts have still to take off the ground.

#### 4.4 The Creation of Single Window Clearance System

To expedite the process of clearances 'single window' concept has been introduced through the "Udyog Bandhu" at the state level and through the DIC at the district level. Their functioning has been discussed below separately.

##### 4.4.1 State Level Udyog Bandhu

Udyog Bandhu (Friend of Industry) was established in U.P. as early as November 1980 as a high power committee to facilitate the establishment of large and medium industries through single window clearance system. The meeting of the Udyog Bandhu is held once a month, which is presided over by the Chief Minister. In May 1988 the small and rural industries were also brought under the purview of Udyog Bandhu and a separate monthly meeting is now held to remove the problems faced by them.

Udyog Bandhu being a high powered committee consisting of high officials of the concerned departments is an important forum for taking immediate decisions and securing inter-departmental coordination. The presence of the Chief Minister lends required weight and prestige to Udyog Bandhu. The Udyog Bandhu is manned by highly motivated officials.

Though the concept of Udyog Bandhu is highly laudable and appreciated by all concerned, there is some disagreement about its effectiveness.

The Chief Minister does not always find time to attend the meeting. There is also a feeling among industrialists that the departments whose cases are brought before the Udyog Bandhu resent it and later on adopt a less cooperative attitude. It is also felt that while decisions are taken in principle in the meetings they are not implemented as there is lack of adequate follow up. Major complaints are made about non-compliance by Electricity Board and financial institutions.

In the last few months important changes in the approach towards the functioning of the Udyog Bandhu have been introduced. Emphasis is now on taking up policy level decisions rather than specific problems in the meetings. The Udyog Bandhu is also arranging tripartite meetings to bring the industrialists and the concerned departments face to face to solve the problems. This has helped in a more speedy disposal of the problems.

On the whole the state level Udyog Bandhu is performing a useful role though its effectiveness could further be improved through a strong follow up and monitoring system.

#### 4.4.2 District Level Udyog Bandhu

Since February 1989 the single window clearance system has been extended to the district level by establishing Laghu Udyog Bandhu. Since September 1991 a high level authorised committee has been created at the district level to expedite clearances to the new industrial units. The District Magistrate is the Chairman of the Committee, while General Manager, DIC, acts as the Member Secretary. The Committee includes 14 other district level officers of the concerned departments/institutions. A number of powers have been delegated to the authorized committee to issue clearances, while some powers are vested in the members of the Committee. The Committee is to meet at least once a month.

The task of registration of units and issuance of clearances has been facilitated by the creation of the district level authorized committees. However, a general feeling both among officials and entrepreneurs is that the committee lacks requisite powers with the result that its decisions are not implemented particularly by the officials of the UPSEB and the Banks, who have their own story to tell. The effectiveness of the 'single window' system at the district level depends on the initiative and effectiveness of the District Magistrate and the General Manager, D.T.C.

Till October 1993 end in all districts 58841 clearances had been issued against 69833 required clearances. The major areas in which clearances are awaited pertained to matters of

power connection, term lending, possession of land, working capital and power sanction. Full details of the pending 10992 clearances are given in Table 4.1.

Table 4.1 : Pending Sanctions Before DTCs Till October 1993

Type of Sanction Required	No. of Pending Sanctions
1. Sales Tax Temporary Registration	9
2. Power Sanction	460
3. Power Release	3554
4. Land Allotment	712
5. Term Loan	2518
6. No Objection Certificate	116
7. Working Capital	816
8. Permanent Registration	4
9. Sales Tax Permanent Registration	24
10. Registration Under Factory Act	18
11. Food Department	9
12. Land Possession	1351
13. Site Plan Sanction	34
14. Consent from Pollution Control Board	28
15. Sales Tax Exemption	169
16. State Capital Subsidy	349
Total Pending Cases	10992

Source : Department of Industry, Government of U.P.

The district level Udyog Bandhu is a useful mechanism which has helped in a more speedy disposal of clearances. However, its effectiveness is constrained by a number of systematic and procedural problems. The entrepreneur has still to run to many departments for clearances. The departments still follow a vertical line of control, which makes horizontal coordination difficult. Many of the powers are vested in the officials of different departments rather than the district level committee. The departments and financial institutions can easily take the shelter of technical requirements for delay or non-compliance of decisions. Factors like shortage of power supply, lack of funds, etc. are also responsible for delays, apart from procedural delays in requisition of land, its conversion to non-agricultural use, urban ceiling clearance, registration, etc. These issues have to be effectively tackled to make the process of clearances smooth and speedy. One may also think in terms of strengthening the power and stature of General Manager, DIC and appointing an IAS officer to coordinate the work of industrial development on the pattern of District Development Officer.

#### 4.5 Procedural Reforms

A fairly substantial effort towards decentralization of decision making powers and simplification of procedure has been going on in the state of Uttar Pradesh during the last three years to create a more liberalised and conducive

environment for industrial development. A large number of government orders have been passed in this connection by different concerned departments like Industry, Labour, Environment, Power, Urban Development, Revenue, etc. as discussed in Chapter III. Some of the decisions taken have been highlighted below.

#### 4.5.1 Department of Industry

1. Registration period of SST units has been extended from one to two years, which can be further extended by the General Manager, DIC for one year.
2. The application form for registration has been simplified and its size reduced from 4 to 1 page.
3. UPFC, UPSTDC and PICUP have also been authorized to issue registration letter at their level.
4. General Manager, DIC has been authorised to assess the capacity of the units for raw material requirement.
5. The registration with DIC will also be valid for store purchase.
6. Managing Director, DIC has been authorized to allot plots/sheds in industrial estates.
7. The procedure for transfer of sheds/plots or established units on them has been rationalized and relevant powers decentralized to authorized committee/Managing Director, DIC.
8. Decision making powers for sanction of state capital subsidy and transport subsidy has been decentralized to General Manager, DIC/concerned financial institution.
9. General Manager, DIC has been made responsible for supplying and processing application forms for various clearances under the single window system.
10. A district level authorized committee has been established with District Collector as Chairman for speedy clearance of various requirements. Substantial powers have been vested in the Committee or its member officers to issue clearances.

#### 4.5.2 Power Sanction/Connection

1. District Level Committee has been authorised to sanction power load upto 100 HP and Divisional Level Committees upto 1000 HP.
2. NOC for setting up generating set will be issued within 15 days.
3. Time frame for sanction of power load has been fixed at one month and for giving power connection at three months after completion of all formalities.
4. Instructions have been issued to officers of UPSEB to provide frequent information to DICs about the availability of surplus power.
5. Period of temporary construction load has been extended from six months to two years.

#### 4.5.3 Pollution Control

1. NOC was earlier issued by the Pollution Control Board. Now the decision making power has been decentralized to district level officials in all cases except large industries and 17 polluting industries in Government of India list.
2. The period of NOC and its renewal has been extended from one year to three years.

#### 4.5.4 Urban Ceiling

1. An advisory committee has been established at the district level to consider cases of exemption under section 20 of Urban Land Ceiling Act.
2. The limit of exemption under Urban Land Ceiling Act has been extended to one acre from 1000 sq. mt.

#### 4.5.5 Sales Tax

1. Period of temporary S.T. registration has been extended to two years.
2. Registration limit has been raised from Rs.50,000 to Rs.1 lakh in case of manufacturers.
3. Registration fee can now be deposited in one instalment of Rs.500 in place of annual payment.
4. Self assessment scheme has been extended to cases involving Rs.2.50 lakhs taxable amount or Rs.25 lakhs gross sale value.
5. The process of issue of Form 31 has been liberalized.
6. Exemption of Sales Tax will also be applicable on second hand machinery purchased from any government company/corporation.

#### 4.5.6 Implementation of Procedural Reforms

As we have already indicated above the decentralization of decision making power and other related procedural reforms have helped the entrepreneur in getting early registration and sanctions and many of the hardships faced by them earlier have been removed. However, the full impact of these procedural reforms is yet to be felt. Full publicity to these measures have not been given which has prevented industrialists to benefit from them. Even the implementing authorities are not fully aware of the various orders issued. The required attitudinal change has not percolated to different level functionaries. As a result the entrepreneurs continue to harbour the feeling of harassment.

#### 4.6 Labour Laws and the Inspector Raj

At present there are 31 labour laws in enforcement including the Central and State Acts. Out of these 20 Acts require inspection by the authorized functionaries. The enforcement apparatus of the Labour Commissioner, together with the Directorate of Factories and Directorate of Boilers is responsible for the administration of all these laws.

Under the Labour Laws Act, 1988 establishments employing upto nine workers are required to maintain only two registers and establishments employing upto 19 workers are required to maintain only three registers under eight specified Acts. In case of units employing upto 19 workers only one return is required to be submitted annually under these eight Acts.

Under administrative instructions every non-hazardous factory shall be inspected once in a year and factories carrying out hazardous process shall be inspected twice in a year by the Inspector of Factories.

Boilers are inspected by the Officers of the Directorate of Boilers every year. Only then boilers can be worked. Certificate of a boiler is renewed only after thorough inspection of the boiler. Inspection work is delayed because of limited number of inspection officers.

Apart from the inspectors of the Factory and Boiler Directorate and Labour Department inspectors of various other departments also visit the factories including health,

electric safety, sales tax, ESI, PF, Central Excise, etc. Thus over a dozen inspectors visit a factory regularly.

It is felt by all concerned that the inspector raj as it has developed over the years has become an instrument of gross harassment, obstruction and extortion. While the system has failed to serve the basic purpose for which it was created, it has turned into an almost institutionalized system of corruption and graft. Industrialists are unanimous in their condemnation of the Inspector Raj. While the bigger industrialist buys peace through payment of money, it is the small entrepreneur who feels more harassed.

Officers of the Labour Department while aware of these problems and concerned about them tend to take a neutral view and feel it is necessary to strike a balance between the needs of the industry on the one hand and the interests of the workers on the other. They are also constrained by the fact that no changes in the statutes have been made and they rightly feel that it is their responsibility to implement the laws as they are.

Within these constraints a number of steps have been made to make the implementation of the legal provisions less irksome and more industry friendly. These include the following steps:

- 1: The work of approval of factory site and construction, issue of licences and their renewal in case of small factories employing less than 50 workers has been decentralized.

2. Licence period under Factory Act has been extended from one to five years.
3. The frequency of inspections has also been reduced to a maximum of two times in a year.
4. The number of registers to be maintained and returns to be filed has been reduced.
5. Violations under the Factory Act have been classified into minor and major categories. Effort would be for removal of minor offences rather than prosecution.
6. It is proposed to introduce the system of self-inspection by the factories in Bulandshahr and Ghaziabad districts on an experimental basis.

The ground reality has, however, hardly changed as the required attitudinal changes have not percolated to the lower levels of functionaries.

#### 4.7 Attitudinal Changes at the Bureaucratic Level

More than any thing else economic reforms require attitudinal changes in the attitudes of the policy makers, bureaucrats, entrepreneurs, trade union and other groups which act as opinion leaders. During the course of the study we had prolonged interactions with the bureaucrats of the concerned departments and a good number of entrepreneurs. The important perceptions that have emerged from these discussions are summarized below.

A major attitudinal change that we came across during discussions with high level officials, which was specially underlined by them, was a changed approach to the

industry. Now they visualise their role as a facilitator and promoter of industry rather than as regulator. The industrialists are now made to feel welcome. Instead of industrialists running after the officers, it is the officers who are now wooing the industry to come to the state. There is much greater interaction with the industrialists and industry associations. The entrepreneurs have also noticed and appreciated this change in outlook. This kind of attitudinal change has, however, not percolated to the lower level functionaries responsible for granting and processing clearances and enforcing various laws, who still perceive themselves in their traditional role of a regulator.

The higher echelons of the bureaucracy also feel that cultural mind blocks nurtured during the earlier regulatory regime are obstructing the process of economic reforms and the cultural gap persists at the level of lower level functionaries.

The view was also expressed that the Central Government has been taking decisions without involving the State Governments, which are affected by these policy decisions. While the Central Government has delicensed industry, it has not moved much in the direction of amending the various acts which are very old and archaic.

There was also a general feeling that the backward states like Uttar Pradesh will be adversely affected by lifting of locational controls. The need of improving the

infrastructure particularly in respect of power and telecommunication was emphasized to promote industrial growth.

The view was also expressed by many officials that the squeezing of financial support by term lending institutions has affected the working of the state level financial institutions. District level officers also complained about the non-cooperative and conservative attitude of bank officers. The bank officers in their turn say that they are following Reserve Bank of India guidelines for lending.

It would be desirable to conduct training programmes for official functionaries at different levels to reorient their working in the changed economic scenario.

#### 4.8 Response of the Entrepreneurs

Discussions were held with several entrepreneurs individually as well as in groups and the representatives of industry associations. Assessment of the entrepreneurs on various issues has been pointed out earlier at appropriate places. General perceptions of entrepreneurs are briefly highlighted below.

The entrepreneurs generally welcome the process of liberalisation of the economy though they are somewhat apprehensive of the sudden opening up of the economy to external competition. It is felt that the competitiveness of

the Indian industry is at present low and greater time for adjustment should have been given.

The entrepreneurs drew attention to the fact that the poor quality of infrastructure particularly with respect to availability and quality of power supply, telecommunications, railway wagon and shipping facilities, etc. also affects the working of the industries and reduces its competitive strength. Credit facilities for term loan and working capital are very inadequate and time consuming. Interest rates are also very high.

In the opinion of the industrialists some procedural changes have taken place and the process of registration has become quick, but overall impact of change is still low and the process of obtaining sanctions and clearances still takes time. The main hassles are experienced in case of power connection, land ceiling, pollution control certificate, registration of land deeds, etc.

It is felt that the single window concept is still on paper as final authority of sanction is not vested with the district level committee and follow up is inadequate. The problem of graft was commonly reported for obtaining various sanctions.

The entrepreneurs found a welcome change in the attitude of top level bureaucracy. However, this attitudinal change

has not percolated to the lower levels in their opinion. As a result bureaucratic hurdles and harassment continue to persist.

With respect to factory and labour laws, it was mentioned that while rules have been changed the regulators are still there. Complaints of illegal extortions and harassment by various inspectors are very common. There is little change at the ground level as far as the Inspector Raj is concerned. In one reported case bill of water tax was sent to a unit, even though it was located outside the municipal limits.

It was pointed out that the existing Acts are very old and archaic and need to be changed. For instance, under the Factory Act pitchers for drinking waters shou] be provided and the industrialist can be prosecuted even if water coolers have been installed. Similarly there are provisions for white washing of toilets etc. which are no longer relevant.

Entrepreneurs were critical of the considerable delays that take place in availment of capital subsidy or sales tax rebate. There are also disputes about interpretation of various provisions.

On the whole there is a sharp perception gap between the claims of the government officials and entrepreneurs. In the perception of the entrepreneurs the ground reality has not changed much in spite of the considerable administrative

decentralization and procedural changes. As a result a negative image of governmental regulations and bureaucracy continues to persist among entrepreneurs.

Attempts are required to remove this perception gap through greater publicity to government decisions, frequent interchange of ideas among officials and entrepreneurs at various levels and reorientation in the attitude of official functionaries at the desk level.

#### 4.9 Summing Up

To sum up our study has revealed that the process of economic reforms is gradually percolating to the State level though its impact on the grass roots level is still low. Sharp attitudinal changes have taken place in the higher policy making echelons. There is a keenness to improve the industrial environment and attract industry to the state. Important decisions have been taken and orders issued by various concerned departments to simplify the forms and procedures and strengthen the single window clearance system. Efforts are being made to deregulate the system and make it more industry friendly. Private sector is now welcome to invest in power and infrastructure. However, its present level involvement is only nominal.

The system of clearances and registration has been made less cumbersome and speedy. However, the ground level situation has not changed very substantially. The entre-

preneur has still to do a lot of running around and delays occur in acquiring land related clearances, power connections and obtaining term loans and working capital. Shortage of power and lack of finance are the major obstacles faced by the entrepreneurs. Infrastructure needs considerable strengthening.

The required attitudinal changes have not percolated down to the lower level functionaries and enforcement staff, who still look at their role as regulators of industry. Considerable harassment has to be faced by industrial units from numerous inspectors. Problem of extortion and graft is widely reported.

On the whole a beginning has been made towards economic reforms at the state level though the process is slow and qualitatively small and its visible impact is still low.

## CHAPTER V

### MAJOR FINDINGS AND RECOMMENDATIONS

#### 5.1 Industrial Structure and Growth

The industrial sector contributes around 19 per cent of SDP in Uttar Pradesh and provides employment to about 14 per cent of the workforce. The industrial structure is dominated by the small scale industries. The industrial base consists of light engineering industries and agro based industries which contribute roughly 32 and 20 per cent of output of the registered manufacturing sector respectively.

U.P.'s level of industrial development is relatively low as compared to the national average. At the same time there are considerable variations in the level of industrial development at the regional and district level. Over half of the large and medium industries in the state are concentrated in the Western Region.

U.P. has experienced a high rate of industrial growth in the last decade - around 10 per cent in value added terms in case of the registered sector and about 5 per cent in case of the unregistered sector. The rates of growth have, however, decelerated after 1987-88. Between August 1991 and August 1993 U.P. has received 1,287 IEMs involving an investment of Rs.13,526 crores.

## 5.2 Infrastructure

The general availability of social and economic infrastructure in U.P. is fairly satisfactory as compared to the national average though not as good as in the developed states of Maharashtra, Gujarat or Punjab. The state has a good network of roads and railways connecting it to all parts of the country. Education and medical facilities of high order are available in the major urban centres of the state. A number of technical training institutes exist in the state. Industrial relations climate is also generally good.

Industry Department has developed 89 large and 165 mini-industrial estates, while UPSIDC has developed 126 industrial areas, where land, sheds and other infrastructural facilities for industries are provided.

The major infrastructural problems affecting the industrial development of the state are power shortage and bank finance. The power situation is likely to improve with the commissioning of two units of 500 MW each in January and July 1994.

### Recommendations

1. Infrastructure needs to be further improved with respect to power supply and telecommunication facilities by stepping up investment in the public and the private sectors.
2. The facilities provided in the industrial estates have to be upgraded and their maintenance improved.

3. In view of the paucity of funds infrastructure of high quality should be provided at a few selected industrial estates in different parts of the state.
4. The working of financial institutions needs to be improved and refinance facilities provided on an enlarged scale to solve the problem of industrial finance.

### 5.3 Industrial Policy and Incentives

The industrial policy of the state announced in 1990 lays emphasis on the following objectives :

- (a) creation of a healthy, congenial and dynamic industrial environment of the state;
- (b) expansion of employment opportunities by promoting small scale and rural industries; and,
- (c) removal of regional imbalances in industrial development.

A package of concessions and incentives has been announced for new industries to be set up in the state during the period 1.4.1990 to 31.3.1995. The facilities are provided on a graded scale depending upon the backwardness of the district. Major concessions and incentives include the following:

1. State capital subsidy at rates varying from 10 to 20 per cent of fixed investment in the plains and from 20 to 35 per cent in the hills.
2. Sales tax exemption/deferment equal to 100 to 150 per cent of investment spread over 8 to 10 years.
3. Rebate on power charges at the rate of 20 per cent in selected Eastern districts, 33.3 per cent in Hill districts and 50 per cent in Bundelkhand districts.
4. State transport subsidy in hill areas.

A package of special facilities has also been announced for NRI investment and a special cell for them has been created in PJCUP.

These incentives have played a role in encouraging investment by entrepreneurs. However, there are complaints about procedural delays and wranglings and non-payment of sanctioned subsidies.

#### Recommendations

1. Steps should be taken to promote integrated development of the large and the small scale sector by promoting inter-linkages between them.
2. Too thin spread of resources over entire state should be avoided by promoting a strategy of concentrated decentralization by developing selected growth poles in different parts of the state.
3. Adequate budgetary provisions should be made to ensure speedy and time bound disbursal of facilities announced.
4. Equity participation rather than subsidy should be encouraged.
5. Efforts should be made for the modernization and restructuring of the sick textile and sugar mills.

#### 5.4 Procedural Reforms

Our study has revealed that the process of establishing an industrial unit is still quite cumbersome and dilatory. In addition to arranging for plant, raw material and labour the entrepreneur has to obtain a large number of clearances and licences from various organizations. While resourceful persons with political and administrative patronage are able

to get over these problems, an ordinary person finds the process very difficult and dampening involving much running from pillar to post. Major obstacles encountered are at the level of land purchase and its registration; obtaining power sanction, pollution clearance and bank finance.

A number of steps have been taken by the State Government in the recent past to streamline the process by decentralizing the decision making powers and establishing single window clearance system.

As we have already indicated above the decentralization of decision making power and other related procedural reforms have helped the entrepreneur in getting early registration and sanctions and many of the hardships faced by them earlier have been removed. However, the full impact of these procedural reforms is yet to be felt. Full publicity to these measures has not been given which has prevented industrialists from benefiting from them. Even the implementing authorities are not fully aware of the various orders issued. The required attitudinal change has not percolated to different level functionaries. As a result the entrepreneurs continue to harbour the feeling of harassment.

#### Recommendations

The process of procedural reforms has to be carried forward and made more effective at the operational level.

1. The process of simplification of application forms has to be taken up more vigorously. Efforts are needed in the direction of integrated format of application forms to the extent possible.
2. The interlinking of clearances should be done away with. For example for power connection prior NOC of Pollution Control Board is required.
3. The procedural requirements and time frame should be widely publicised.
4. The accountability of officers should be fixed and disciplinary action taken in case of unreasonable default.
5. Necessary changes in legislation should be made, e.g., for exemption of urban land ceiling upto 1 acre, conversion of land to non-agricultural use, etc.
6. The attitude of lower level functionaries should be reoriented.
- 7.\* All offices at the district level should be located in close proximity to the extent possible.

#### 5.5. Single Window Clearance System

Udyog Bandhu (Friend of Industry) was established in U.P. as early as November 1980 as a high power committee to facilitate the establishment of large and medium industries through single window clearance system. The meeting of the Udyog Bandhu is held once a month, which is presided over by the Chief Minister. In May 1988 the small and rural industries were also brought under the purview of Udyog Bandhu and a separate monthly meeting is now held to remove the problems faced by them.

On the whole the state level Udyog Bandhu is performing a useful role though its effectiveness could further be improved through a strong follow up and monitoring system.

The district level Udyog Bandhu is also a useful mechanism which has helped in a more speedy disposal of clearances. However, its effectiveness is constrained by a number of systematic and procedural problems. The entrepreneur has still to run to many departments for clearances. The departments still follow a vertical line of control, which makes horizontal coordination difficult. Many of the powers are vested in the officials of different departments rather than the district level committee. The departments and financial institutions can easily take the shelter of technical requirements for delay or non-compliance of decisions. Factors like shortage of power supply, lack of funds, etc. are also responsible for delays, apart from procedural delays in requisition of land, its conversion to non-agricultural use, urban ceiling clearance, registration, etc.

#### Recommendations

These issues have to be effectively tackled to make the process of clearances smooth and speedy. One may also think in terms of strengthening the power and stature of General Manager, DIC and appointing an IAS officer to coordinate the work of industrial development on the pattern of District Development Officer.

### 5.6 Labour Laws and the Inspector Raj

It is felt by all concerned that the inspector raj as it has developed over the years has become an instrument of gross harassment, obstruction and extortion. While the system has failed to serve the basic purpose for which it was created, it has turned into an almost institutionalized system of corruption and graft. Industrialists are unanimous in their condemnation of the Inspector Raj. While the bigger industrialist buys peace through payment of money, it is the small entrepreneur who feels more harassed.

A number of steps have been taken in last couple of years to make the implementation of the legal provisions less irksome and industry friendly. The ground reality has, however, hardly changed as the required attitudinal changes have not percolated to the lower level functionaries.

#### Recommendations

1. A thorough scrutiny and overhaul of various Acts should be undertaken to remove archaic provisions.
2. System of returns should be simplified further.
3. Attitudes of the functionaries should be reoriented through seminars, discussions and training courses.
4. Effective supervision should be exercised over lower level functionaries to prevent harassment of industrialists. Vigilance machinery should be tightened and exemplary punishment awarded to those found guilty.
5. Industrialists should be made aware of important legislative provisions and educated to observe them voluntarily.

### 5.7 Move Towards Privatization

Faced with serious fiscal constraint the State Government was left with no option but to close down or privatize those corporations and undertakings which were incurring regular heavy losses. Over the last three years as many as 15 public undertakings/corporations have been closed down in the State bringing down their number from 66 to 51. First to be closed down were U.P. Chalchitra Nigam and U.P. Horticulture Corporation along with divisional level Area Development Corporations. Two other corporations which were to be privatized by the Government were the Auto Tractors Limited and the U.P. Cement Corporation. However, following labour protest the new Government decided to retain the latter in the public sector. The case has been taken by the concerned party to the Supreme Court.

A decision was taken in October 1992 to privatize/restructure seven spinning mills out of the 25 mills under U.P. Textiles Federation. However, the matter is still dragging due to inadequate response of private sector. Only in case of Bhadohi Woollen Mills sale of unit to Surya Carpet Private Limited has been recommended. For Akbarpur unit private offer for lease arrangement is being considered.

Though the principle of privatisation of public sector undertakings which are incurring regular losses has been accepted by the successive governments, a systematic and

consistent policy has yet to be evolved. In case of U.P. Cement Corporation the decision to privatise was reversed in face of pressures from labour and the public. There has also been controversies about the correct valuation of the assets of the public sector units to be privatized. Even where steps are taken to privatize a unit, worthwhile offers are not received in many cases. The ability of the State Government to close a unit or restructure labour force is also constrained by lack of funds for voluntary retirement schemes.

#### Recommendation

There is a need to evolve a systematic policy towards privatization of State PSUs. The funds raised through privatization should be utilized to create an industrial restructuring and development fund.

#### 5.8 Opening Up of Infrastructure to Private Sector

It has been decided to involve the private sector in power generation and distribution. Three MOUs have already been signed with private parties for participation in power generation : Vishnu Prayag Hydel Scheme with J.P. Industries; Roja Thermal Plant (3 x 250 MW) with Indo Gulf Co.; and Jawaharpur Hydel Scheme (3 x 250 MW) with Pacific Electric Development Corporation, Canada.

Distribution of power in Greater NOIDA industrial area has been handed over to Noida Power Company of RPG Group, which will be supplied power by UPSEB at Rs.1.66 per unit.

The Industry Department is also trying to involve private sector in the maintenance of industrial estates and in running technical training institutions.

#### 5.9 Attitudinal Changes at the Bureaucratic Level

A major attitudinal change that we came across during discussions with high level officials, which was specially underlined by them, was a changed approach to the industry. Now they visualise their role as a facilitator and promoter of industry rather than as regulator. The industrialists are now made to feel welcome. Instead of industrialists running after the officers, it is the officers who are now wooing the industry to come to the state. There is much greater interaction with the industrialists and industry associations. The entrepreneurs have also noticed and appreciated this change in outlook. This kind of attitudinal change has, however, not percolated to the lower level functionaries responsible for granting and processing clearances and enforcing various laws, who still perceive themselves in their traditional role of a regulator.

### Recommendation

It would be desirable to conduct training programmes for official functionaries at different levels to reorient their working in the changed economic scenario.

#### 5.10 Response of the Entrepreneurs

The entrepreneurs generally welcome the process of liberalisation of the economy though they are somewhat apprehensive of the sudden opening up of the economy to external competition. It is felt that the competitiveness of the Indian industry is at present low and greater time for adjustment should have been given.

On the whole there is a sharp perception gap between the claims of the government officials and entrepreneurs. In the perception of the entrepreneurs the ground reality has not changed much in spite of the considerable administrative decentralization and procedural changes. As a result a negative image of governmental regulations and bureaucracy continues to persist among entrepreneurs.

### Recommendations

Attempts are required to remove this perception gap through greater publicity to government decisions, frequent interchange of ideas among officials and entrepreneurs at

various levels and reorientation in the attitude of official functionaries at the desk level.

#### 5.11 Conclusion

On the whole a beginning has been made towards economic reforms at the state level though the process is slow and qualitatively small and its visible impact is still low.

A number of steps have been taken towards creating a more liberalized regime in the industrial sector and to simplify the procedures for sanctions and clearances. However, economic reforms at the state level are being carried out in a piecemeal, uncoordinated manner. Hardly any steps have been taken in other related areas like fiscal imbalance, subsidies, irrigation and water rates, etc.

There is a need to put economic reforms on the main agenda at the state level and to evolve an integrated strategy for their implementation. In this task constant interaction between Central and State Governments is required so that coordinated steps can be taken and the costs and benefits of reforms are equitably shared.